

**TEST BANK**



EFFECTIVE MANAGEMENT

a multimedia approach  
fourth edition



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## Chapter 2: Organizational Environments and Cultures

**Total Questions: 161 (35 True/False; 111 Multiple Choice; 10 Short Answer; 5 Essay)**

### TRUE/FALSE

1. External environments are the forces and events outside a company that have the potential to influence or affect it.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 30  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

2. According to its rate of environmental change, an organization's environment can be either stable or dynamic, but not both.

ANS: F  
According to punctuated equilibrium theory, companies often experience both stable and dynamic external environments.

PTS: 1                      DIF: Difficult                      REF: 30-31                      TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

3. Environmental complexity refers to the degree of change in the external factors that affect organizations.

ANS: F  
Environmental complexity is the number of external factors in the environment that affect organizations. Environmental change refers to the rate at which a company's general and specific environments change.

PTS: 1                      DIF: Moderate                      REF: 32                      TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

4. Resource scarcity is the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources.

ANS: T                      PTS: 1                      DIF: Moderate                      REF: 32  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

5. The two kinds of external organizational environments are the general environment that affects all organizations and the specific environment that is unique to each company.

ANS: T                      PTS: 1                      DIF: Moderate                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

6. The general environment consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 33  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

7. The greater the rate of environmental change, environmental complexity, and resource scarcity, the less confident managers are that they can understand and predict the trends affecting their businesses.

ANS: T                      PTS: 1                      DIF: Difficult                      REF: 32-33  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

8. The general external environment is unique to each firm's industry and directly affects the way it conducts day-to-day business.

ANS: F  
This is the definition of the specific environment. The general environment consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations.

PTS: 1                      DIF: Easy                      REF: 33                      TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

9. Changes in any sector of the general environment eventually affect most organizations.

ANS: T                      PTS: 1                      DIF: Moderate                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

10. Managers often prefer economic statistics to business confidence indices as tools for managerial decision making because of their inherently greater accuracy.

ANS: F  
Managers often prefer business confidence indices to economic statistics, because they know that the level of confidence reported by real managers affects their business decisions. Unfortunately, the economic statistics that managers rely on when making these decisions are notoriously poor predictors of *future* economic activity.

PTS: 1                      DIF: Easy                      REF: 34-35                      TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

11. Business confidence indices are a viable alternative to economic statistics for management decision making.

ANS: T                      PTS: 1                      DIF: Moderate                      REF: 35  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

12. Productivity is the knowledge, tools, and techniques used to transform inputs (raw materials, information, etc.) into outputs (products and services).

ANS: F  
Technology is the knowledge, tools, and techniques used to transform inputs (raw materials, information, etc.) into outputs (products and services).

PTS: 1                      DIF: Difficult                      REF: 35  
TOP: AACSB Reflective Thinking| AACSB Technology                      KEY: Environmental Influence

13. In 2007, the national power company in Nigeria experienced a decline in its ability to generate electrical power. This decline is due to the Nigerian government's instability, a political/legal component of the company's specific environment.

ANS: F

The political/legal component is part of the general environment.

PTS: 1                    DIF: Easy                    REF: 36                    TOP: AACSB Analytic  
KEY: Environmental Influence

14. The best way to manage legal responsibilities is to retain a large staff of legal specialists to defend the company against any charges.

ANS: F

The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

PTS: 1                    DIF: Easy                    REF: 36-37                    TOP: AACSB Analytic  
KEY: Environmental Influence| Legal Responsibilities

15. Proactive customer monitoring is identifying and addressing customer trends and problems after they occur.

ANS: F

This defines reactive customer monitoring.

PTS: 1                    DIF: Easy                    REF: 37-38                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

16. Managers are quite adept at identifying potential competitors.

ANS: F

Managers often do a poor job of identifying potential competitors.

PTS: 1                    DIF: Easy                    REF: 38                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

17. Buyer dependence is the degree to which a company relies on a supplier because of the importance of the supplier's product to the company and the difficulty of finding other sources of that product.

ANS: F

This is the definition of supplier dependence.

PTS: 1                    DIF: Easy                    REF: 39                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence| Operations Management

18. A decrease in either buyer dependence or supplier dependence can lead to opportunistic behavior.

ANS: F

An increase in either buyer dependence or supplier dependence can lead to opportunistic behavior.

PTS: 1                    DIF: Moderate                    REF: 39                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

19. The three techniques that can be used by advocacy groups to influence companies are public communications, media advocacy, and product boycotts.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 40-41  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

20. Advocacy groups are typically composed of concerned citizens who have a strong feeling about a common issue, even though the members' points of view may differ significantly.

ANS: F  
The members of advocacy groups generally share the same point of view on a particular issue.

PTS: 1                      DIF: Moderate                      REF: 40-41                      TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

21. Advocacy groups cannot force organizations to change their practices.

ANS: T                      PTS: 1                      DIF: Moderate                      REF: 40-41  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

22. Because external environments can be dynamic, confusing, and complex, managers use a three-step process to make sense of the changes in their external environments. Those steps are (1) environmental scanning, (2) interpreting environmental factors, and (3) acting on threats and opportunities.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 41-42  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence| Strategy

23. Managers scan their environments to stay up-to-date on important factors in their industry, to reduce uncertainty, to develop or maintain a competitive advantage, and to enhance organizational performance.

ANS: T                      PTS: 1                      DIF: Difficult                      REF: 41-42  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence| Strategy

24. Managers can only make sense of their changing external environments by completing all three of the following steps: environmental scanning, interpreting environmental factors, and acting on threats and opportunities.

ANS: T                      PTS: 1                      DIF: Difficult                      REF: 41-42  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence| Strategy

25. Organizational culture refers to the set of key values, beliefs, and attitudes shared by organizational members.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 43  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics

26. A primary source of organizational culture is the company founder.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 43  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics| Individual Dynamics

27. After the company founders are gone, stories and heroes can help to sustain the founder's values, attitudes, and beliefs in the organizational culture.

ANS: T                      PTS: 1                      DIF: Easy                      REF: 43-44  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics| Individual Dynamics

28. Organizational heroes are used to make sense of organizational events and changes.

ANS: F  
Organizational stories are used to make sense of organizational events and changes, and to emphasize culturally consistent assumptions, decisions, and actions. While organizational heroes may be included in such stories, it is the story that provides the sense-making function.

PTS: 1                      DIF: Difficult                      REF: 44                      TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

29. Extensive research demonstrates clearly that organizational culture is strongly related to organizational success.

ANS: F  
There is only preliminary research showing that organizational culture is related to organizational success.

PTS: 1                      DIF: Moderate                      REF: 44                      TOP: AACSB Reflective Thinking  
KEY: Group Dynamics| Creation of Value

30. Successful organizational cultures seem to be based solely upon the strength of the organizational culture.

ANS: F  
Successful organizational cultures seem to be based upon adaptability, involvement, a clear vision, and consistency.

PTS: 1                      DIF: Easy                      REF: 44                      TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

31. When used together, the combination of behavioral substitution, behavioral addition, and changing visible artifacts is extremely likely to achieve the desired changes in organizational culture.

ANS: F  
Corporate cultures are very difficult to change. Consequently, there is no guarantee that these techniques will work.

PTS: 1                      DIF: Difficult                      REF: 45-47                      TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

32. A corporate philosophy stating, "Don't respond to environmental change if the company is still making a profit," would not keep a company from developing a successful organizational culture.

ANS: F  
One of the keys to a successful organizational culture is adaptability.

PTS: 1                      DIF: Moderate                      REF: 44                      TOP: AACSB Analytic  
KEY: Environmental Influence| Strategy

33. An environmental scan might reveal that customers who are willing to pay \$5 for a cup of coffee are actually buying the atmosphere of the restaurant that sells the coffee.

ANS: T                      PTS: 1                      DIF: Moderate                      REF: 41-42  
TOP: AACSB Analytic                      KEY: Environmental Influence| Strategy

34. Vision statements do not have to be specific to be effective tools for creating successful organizational cultures.

ANS: F  
Specific vision statements strengthen organizational cultures by letting everyone know why the company is in business, what really matters, and how those values should guide daily actions and behaviors.

PTS: 1                      DIF: Moderate                      REF: 44-45                      TOP: AACSB Analytic  
KEY: Leadership Principles| Strategy

35. Behavioral multiplication refers to the process of having managers and employees perform new behaviors that are central to and symbolic of the new organizational culture that a company wants to create.

ANS: F  
This process is called behavioral addition.

PTS: 1                      DIF: Easy                      REF: 46                      TOP: AACSB Reflective Thinking  
KEY: Group Dynamics| Individual Dynamics

## MULTIPLE CHOICE

1. According to the \_\_\_\_, companies go through long, simple periods of environmental stability, followed by short, complex periods of dynamic, fundamental environmental change, finishing with a return to environmental stability.
- environmental change theory
  - theory of environmental dynamics
  - punctuated equilibrium theory
  - theory of resource scarcity
  - environmental cycle

ANS: C                      PTS: 1                      DIF: Moderate                      REF: 30-31  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

2. In terms of environmental complexity, \_\_\_\_ environments have few environmental factors, whereas \_\_\_\_ environments have many environmental factors.
- non-competitive; competitive
  - simple; complex
  - stable; dynamic
  - scarce; abundant
  - market-oriented; product-oriented

ANS: B                      PTS: 1                      DIF: Easy                      REF: 32  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

3. A company facing a simple environment would:
- most likely be in the first stage of the environmental cycle
  - exhibit proof of the punctuated equilibrium theory
  - be unable to succeed due to lack of innovation
  - be influenced only by factors in its specific environment
  - have few external factors in the environment that affect it

ANS: E                      PTS: 1                      DIF: Moderate                      REF: 32  
TOP: AACSB Analytic                      KEY: Environmental Influence

4. In a very strong economy, where the demand for qualified job applicants exceeds the supply, the environmental characteristic of \_\_\_\_ is likely to be particularly salient for many companies.
- environmental complexity
  - environmental change
  - resource scarcity
  - environmental uncertainty
  - environmental risk

ANS: C                      PTS: 1                      DIF: Moderate                      REF: 32  
TOP: AACSB Analytic                      KEY: Environmental Influence

5. What are the two types of external organizational environments?
- general and specific
  - public and private
  - global and the national
  - organizational and the interpersonal
  - market-specific and the product-specific

ANS: A                      PTS: 1                      DIF: Easy                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

6. In terms of external organizational environments, the \_\_\_\_ environment affects all organizations while the \_\_\_\_ environment is unique to each company.
- global; national
  - customer-driven; production-driven
  - general; specific
  - informal; formal
  - specific; general

ANS: C                      PTS: 1                      DIF: Easy                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

7. All events outside a company that have the potential to influence or affect it occur in the \_\_\_\_ environment.
- specific
  - external
  - formal
  - potential
  - global

ANS: B                      PTS: 1                      DIF: Moderate                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence



8. Imagine that a Venezuelan appliance manufacturer wants to export its automobiles to Guatemala. The knowledge that the distribution of income within Guatemala is highly unequal and about 75 percent of the population is below the poverty line would be a(n) \_\_\_\_ component in the manufacturer's general environment.
- technological
  - sociocultural
  - economic
  - political/legal
  - demographic

ANS: C

The current state of the economy affects the operations of most businesses operating in it. The Guatemalan economy is not growing, and it does not look like a favorable environment for the appliance manufacturer.

PTS: 1                      DIF: Easy                      REF: 34-35                      TOP: AACSB Analytic  
KEY: Environmental Influence

9. \_\_\_\_ is the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources.
- Environmental complexity
  - Environmental capacity
  - Differentiation opportunity
  - Environmental dynamism
  - Resource scarcity

ANS: E                      PTS: 1                      DIF: Difficult                      REF: 32  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

10. Environmental \_\_\_\_ determines how well managers can understand or predict the external changes and trends affecting their businesses.
- complexity
  - change
  - adaptability
  - synergy
  - uncertainty

ANS: E                      PTS: 1                      DIF: Moderate                      REF: 32-33  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

11. Environmental \_\_\_\_ is affected by environmental complexity, change, and resources.
- uncertainty
  - differentiation
  - complexity
  - essence
  - entrepreneurship

ANS: A                      PTS: 1                      DIF: Difficult                      REF: 32-33  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

12. The \_\_\_\_ consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations.
- economic environment
  - specific environment
  - general environment
  - indirect environment
  - direct environment

ANS: C                      PTS: 1                      DIF: Easy                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

13. Legislation concerning the disposal of biological wastes, the development of more sophisticated imaging machines, and longer patient life spans would all be part of the \_\_\_\_ for a public hospital.
- internal environment
  - specific environment
  - sociocultural environment
  - general environment
  - environmental differentiation

ANS: D  
The changes described in the question represent changes in the legal, technological, and sociocultural environments.

PTS: 1                      DIF: Easy                      REF: 33-34                      TOP: AACSB Reflective Thinking  
KEY: Environmental Influence| Legal Responsibilities

14. Which of the following is a component of the specific environment that would directly influence a museum's day-to-day operation?
- other museums in the area
  - inflation levels
  - a growing consumer preference for more primitive art
  - more rigid enforcement of the American with Disabilities Act laws
  - all of these

ANS: A  
Other museums in the area would be competitors, a part of the specific environment.

PTS: 1                      DIF: Difficult                      REF: 33-34                      TOP: AACSB Analytic  
KEY: Environmental Influence| Operations Management

15. Changes in any sector of the general environment:
- will typically not impact most organizations
  - tend to slow down how quickly an organization moves through the environmental cycle
  - inhibit the innovation process
  - influence customers first and then suppliers
  - will eventually affect most organizations

ANS: E                      PTS: 1                      DIF: Moderate                      REF: 33-34  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

16. Which of the following is a component of a local newspaper's general environment and will indirectly influence how it does business?
- an Internet-based newspaper that carries local news
  - lobbyists for the local airport
  - a local advocacy group demanding the newspaper not print ads for fur coats
  - a trend toward less leisure time
  - its supplier of paper

ANS: D

The trend toward less leisure time is part of the sociocultural environment.

PTS: 1                    DIF: Moderate                    REF: 33-34                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

17. White Castle is a fast-food restaurant chain that is famous for its small, square hamburgers. Which of the following would be a component of its general environment?
- meat processing companies that provide its ground beef
  - consumers who will drive miles out of their way to eat a White Castle burger
  - boycotts by the Chicago organization of People for the Ethical Treatment of Animals (PETA)
  - local zoning laws that designate the appropriate distance from the street for a White Castle restaurant to be located
  - inflation

ANS: E

Inflation would be a component of the general environment.

PTS: 1                    DIF: Difficult                    REF: 33-34                    TOP: AACSB Analytic  
KEY: Environmental Influence

18. A CEO who is considering opening a manufacturing business in the Dominican Republic would need to know that the country contains about 2.6 million laborers and has a 17 percent unemployment rate. Its unemployment rate would be part of the expanding business's \_\_\_\_ environment.
- technological
  - social
  - economic
  - cultural
  - political

ANS: C

The jobless rate is part of the economy. It would have a direct bearing on whether the expansion is successful.

PTS: 1                    DIF: Moderate                    REF: 34-35                    TOP: AACSB Analytic  
KEY: Environmental Influence

19. More premature babies than ever before are surviving due to improvements in medical knowledge and care. The \_\_\_\_ component of hospitals has influenced this improved survival rate.
- technological
  - sociocultural
  - economic
  - political/legal
  - demographic

ANS: A                    PTS: 1                    DIF: Easy                    REF: 35  
TOP: AACSB Analytic| AACSB Technology                    KEY: Environmental Influence

20. Technology is the \_\_\_\_ used to transform inputs (raw materials, information, etc.) into outputs (goods or services).
- knowledge, tools, and techniques
  - knowledge and machinery
  - plans and machinery
  - tools and techniques
  - strategy and tactics

ANS: A                    PTS: 1                    DIF: Moderate                    REF: 35  
TOP: AACSB Reflective Thinking| AACSB Technology                    KEY: Environmental Influence

21. Home networking is predicted to be the wave of the future. Microprocessors can be used to run up to 85 different appliances and such in the average home. You will be able to set a program to record a television show, check to see if you turned off your curling iron, turn on and off lights, and do hundreds of other similar tasks from wherever you happen to be. This change in the \_\_\_\_ environment will influence all kinds of businesses from appliance manufacturers to security systems.
- technological
  - social
  - economic
  - cultural
  - political

ANS: A  
Changes in the technology will provide products that are more efficient.

PTS: 1                    DIF: Moderate                    REF: 35  
TOP: AACSB Reflective Thinking| AACSB Technology                    KEY: Environmental Influence

22. Managers often prefer to use business confidence indices:
- to identify sociocultural trends
  - as predictors of future economic activity when making business decisions
  - which are based on intuition and experience
  - to encourage customers to make long-term buying decisions
  - to improve consumer confidence forecasts

ANS: B                    PTS: 1                    DIF: Difficult                    REF: 35  
TOP: AACSB Reflective Thinking                    KEY: Environmental Influence

23. Ten years ago, upper- and middle-class Chinese enjoyed various forms of hard liquor such as brandy, gin, and bourbon. Today, these same Chinese classes are ordering wine rather than hard liquor. This is an example of a change in the \_\_\_\_ component of the general environment of a distiller.
- technological
  - sociocultural
  - economic
  - competitive
  - geographic

ANS: B  
What is fashionable to drink is dictated by the sociocultural environment.

PTS: 1                    DIF: Easy                    REF: 35-36                    TOP: AACSB Analytic  
KEY: Environmental Influence

24. When Hurricane Katrina pounded her way through the Gulf Coast, Orleans Parish, La., and Harrison County, Miss., were among the areas hardest hit. The counties, which are home to New Orleans and Biloxi, Miss., respectively, also share other traits. Data from the U.S. Census Bureau show that with median household incomes of about \$31,000, they lag the national average of \$44,684 by 44 percent. The \_\_\_\_ environments in those counties will influence the general environment of businesses that try to locate there.
- technological
  - sociocultural
  - economic
  - demographic
  - political/legal

ANS: B

Demographic information, such as income levels, is a part of the sociocultural component of the general environment.

PTS: 1                    DIF: Moderate            REF: 35-36            TOP: AACSB Analytic  
KEY: Environmental Influence

25. White Castle is a fast-food restaurant chain that is famous for its small, square hamburgers. The chain began prior to World War II. Which of the following would have been part of its general environment during the war?
- other fast-food restaurants that sell hamburgers
  - its customers who eat White Castle burgers at least once a week
  - the meat packing company that supplied its beef
  - government-mandated beef rationing as a result of World War II
  - all of these

ANS: D

The rationing was a part of the political/legal environment.

PTS: 1                    DIF: Difficult            REF: 36-37            TOP: AACSB Analytic  
KEY: Environmental Influence

26. The popularity of natural, organic supermarkets such as Whole Foods Markets has negatively impacted the sales at Kroger, Albertsons, and Safeway supermarkets. The negative impact on sales was due to changes in the \_\_\_\_ environment.
- technological
  - sociocultural
  - economic
  - demographic
  - political

ANS: B

Sociocultural changes include changes in behavior, attitudes, and beliefs.

PTS: 1                    DIF: Moderate            REF: 35-36            TOP: AACSB Analytic  
KEY: Environmental Influence

27. Many urban areas have installed roadside cameras to record motorists running red lights and give tickets to those whose cars are photographed racing through the intersections. This attempt to save lives by getting people to drive more safely reflects a change in the \_\_\_\_ components of the general environment.
- technological and political/legal
  - social and political/legal
  - economic and sociocultural
  - political/legal and demographic
  - demographic and political/legal

ANS: A

The cameras are a technological change, and the more rigorous enforcement of existing laws reflects the political/legal environment.

PTS: 1                    DIF: Easy                    REF: 35-37

TOP: AACSB Analytic| AACSB Technology

KEY: Environmental Influence

28. White Castle is a fast-food restaurant chain that is famous for its small, square hamburgers. Which of the following would be a component of its sociocultural environment?
- a period of business prosperity
  - the development of fully automated drive-through windows
  - a price war with Burger King and McDonald's
  - the fact that most consumers prefer to eat out rather than at home
  - regulations passed by the Food & Drug Administration

ANS: D

Sociocultural changes reflect changes in behavior, attitudes, and beliefs.

PTS: 1                    DIF: Moderate                    REF: 35-36                    TOP: AACSB Analytic

KEY: Environmental Influence

29. Which of the following is NOT a dimension of the political/legal component of the general environment that governs and regulates business behavior?
- legislation
  - competitive products
  - court decisions
  - regulation
  - customer-initiated lawsuits

ANS: B                    PTS: 1                    DIF: Easy                    REF: 36-37

TOP: AACSB Reflective Thinking

KEY: Environmental Influence| Legal Responsibilities

30. Laura Childs found a charming old cottage in which to set up her herbal business and tea house, but the bathroom was not big enough for a wheelchair. Lawrence Li wanted to set up a paintball alley in an old factory but there was no ramp entrance. Many other small business owners have found how expensive it is to comply with Americans with Disabilities Act regulations in new businesses. This federal law is an example of a component of the \_\_\_\_ environment.
- technological
  - sociocultural
  - economic
  - demographic
  - political/legal

ANS: E

It is a law that affects every business indirectly.

PTS: 1                    DIF: Moderate            REF: 36-37            TOP: AACSB Analytic  
KEY: Environmental Influence

31. The Bailey Wildlife Fund was created to act as a protector of wolves, grizzly bears, and other predatory animals. It works with landowners to prevent or reduce predator problems. The nonprofit organization asks landowners to suggest plans that can be implemented to prevent predators from attacking their herds, and then the Fund pays to implement those that offer the most universal benefit. The landowners are part of the \_\_\_\_ component of the Fund's specific environment.
- competitor
  - industry regulation
  - supplier
  - customer
  - political/legal

ANS: D

Nonprofit organizations have customers just like for-profit organizations.

PTS: 1                    DIF: Moderate            REF: 37-38            TOP: AACSB Analytic  
KEY: Environmental Influence

32. \_\_\_\_ is used to refer to a company's practice of identifying and addressing customer trends and problems after they occur.
- Consumer confidence forecasts
  - Competitive analysis
  - Reactive customer monitoring
  - Proactive customer monitoring
  - Continuous data mining

ANS: C                    PTS: 1                    DIF: Easy              REF: 38  
TOP: AACSB Reflective Thinking            KEY: Environmental Influence

33. The best way for an organization to manage legal responsibilities is to:
- retain a large legal staff
  - educate managers and employees
  - continuously scan the environment for legal developments
  - develop clear in-house procedures for investigating complaints
  - never do anything illegal

ANS: B                    PTS: 1                    DIF: Moderate            REF: 37  
TOP: AACSB Reflective Thinking            KEY: Environmental Influence| Legal Responsibilities

34. Two homebuilders are building homes in nearby subdivisions. One is offering 2,500-square-foot homes with two-acre yards. The other is offering similar-size houses with quarter-acre yards. The builder offering the smaller lots cannot keep up with demand. The builder offering the larger lots has several unsold houses. The builder with the larger lots could use \_\_\_\_ to determine why his homes are not selling.
- proactive customer monitoring
  - consumer confidence forecasts
  - demographic information
  - reactive customer monitoring
  - a competitive analysis

ANS: D

Reactive customer monitoring is identifying and addressing customer trends and problems after they occur.

PTS: 1                    DIF: Moderate            REF: 38                    TOP: AACSB Analytic  
KEY: Environmental Influence

35. Even after bloggers revealed that the standard Kryptonite U-shaped lock could be easily opened with a Bic pen, the Kryptonite Company tried to deny there were any problems with its product. Finally, it agreed to address customers' concerns by replacing the locks if the customer still had his or her sales slip. Kryptonite engaged in:
- proactive customer monitoring
  - consumer confidence forecasts
  - demographic information
  - reactive customer monitoring
  - a competitive analysis

ANS: D

Reactive customer monitoring is identifying and addressing customer trends and problems after they occur.

PTS: 1                    DIF: Moderate            REF: 38                    TOP: AACSB Analytic  
KEY: Environmental Influence

36. Which of the following is a component of Volkswagen's specific environment and will directly influence how it does business?
- Renault, a French car maker
  - laws concerning air bags
  - inflation
  - gasoline prices
  - the fact consumers are buying fewer SUVs

ANS: A

Renault would be a competitor, a part of the specific environment.

PTS: 1                    DIF: Easy                    REF: 38                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence

37. Two homebuilders are building homes in nearby subdivisions. One is offering 2,500-square-foot homes with two-acre yards. The other is offering similar-size houses with quarter-acre yards. The builder offering the smaller lots cannot keep up with demand. The builder offering the larger lots has several unsold houses. The builder with the smaller lots most likely used \_\_\_\_ to determine what home buyers desired.
- reactive customer monitoring
  - proactive customer monitoring
  - competitive analysis
  - environmental munificence
  - consumer confidence forecasts

ANS: B

Proactive monitoring means identifying and addressing needs before they become a problem.

PTS: 1                    DIF: Difficult            REF: 38                    TOP: AACSB Analytic  
KEY: Environmental Influence





42. Companies doing a competitive analysis typically err by:
- doing an incomplete job of identifying competitors
  - overestimating their competition
  - ignoring proactive monitoring
  - relying on competitive intelligence
  - doing all of these

ANS: A                      PTS: 1                      DIF: Moderate                      REF: 38  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence| Strategy

43. Albertsons is one of the top three supermarket chains in the United States. It is searching for new ways to attract the fickle U.S. consumer. As it looks to attract more customers to its stores, it has identified its competitors including smaller stores, such as Whole Foods Market and Aldi, and examined their strengths and weaknesses. Albertsons has conducted:
- competitive mapping
  - a market audit
  - a SWOT analysis
  - a proactive audit
  - a competitive analysis

ANS: E  
A competitive analysis involves deciding who your competitors are, anticipating competitors' moves, and determining competitors' strengths and weaknesses.

PTS: 1                      DIF: Moderate                      REF: 38                      TOP: AACSB Analytic  
KEY: Environmental Influence| Strategy

44. A key factor influencing the relationship between companies and their suppliers is:
- how dependent they are on each other
  - how much they know about each other
  - how compatible their organizational cultures are
  - the type of product being manufactured
  - all of these

ANS: A                      PTS: 1                      DIF: Easy                      REF: 39  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

45. Scientists have developed a fast and inexpensive test for bacterial contamination to detect salmonella and listeria in food. The test will help restaurants maintain food safety and customer loyalty. Litmus is the only company manufacturing and marketing the test and holds the patent for the test methodology. If the FDA requires all restaurants to use this test, which can only be purchased directly from Litmus, then \_\_\_\_ will be strong.
- buyer dependence
  - pure competition
  - transactional freedom
  - supplier dependence
  - resource scarcity

ANS: D  
Supplier dependence is the degree to which a company relies on a particular supplier.

PTS: 1                      DIF: Moderate                      REF: 39  
TOP: AACSB Analytic| AACSB Technology  
KEY: Environmental Influence| Strategy

46. When a hardware store agrees to be an exclusive dealer of Husqvarna power tools, it turns over about 25 percent of its floor space to the manufacturer's displays. If Husqvarna were to experience a long-term strike that made it impossible to deliver products, than the hardware store's sales would likely decline due to:
- cognitive perceptions
  - supplier dependence
  - industry regulation
  - resource scarcity
  - retail complexity

ANS: B

Supplier dependence is the degree to which a company relies on a supplier because of the importance of the product to the company.

PTS: 1                      DIF: Moderate              REF: 39                      TOP: AACSB Analytic  
KEY: Environmental Influence

47. A high degree of buyer or seller dependence can lead to \_\_\_\_ in which one party benefits at the expense of the other.
- relationship behavior
  - transactional behavior
  - behavioral monogamy
  - relational monopoly
  - opportunistic behavior

ANS: E                      PTS: 1                      DIF: Easy                      REF: 39  
TOP: AACSB Reflective Thinking              KEY: Environmental Influence

48. Scientists have developed a fast and inexpensive test for bacterial contamination to detect salmonella and listeria in food. The test will help restaurants maintain food safety and customer loyalty. In terms of the specific environment of the restaurant industry, if the FDA requires all restaurants to buy and use this test, it would be an example of the \_\_\_\_ component of the environment.
- supplier
  - advocacy group
  - industry regulation
  - technological
  - competitor

ANS: C

The industry regulation component consists of regulations and rules governing the practices and procedures of specific industries.

PTS: 1                      DIF: Moderate              REF: 39-40                      TOP: AACSB Analytic  
KEY: Motivation Concepts| Group Dynamics

49. In setting up his new office, an attorney wanted furnishings that were elegant and that would make him look successful. He wanted thick, plush carpeting in his office, but federal regulations state that because his office is a public area, it must be wheelchair accessible. Wheelchairs do not maneuver well in thick carpeting. The building inspector had him remove the expensive carpeting and replace it with a carpet that did allow wheelchair maneuverability. This is an example of how the \_\_\_\_ component of a company's specific environment influences it.
- sociocultural
  - economic
  - political/legal
  - supplier
  - industry regulation

ANS: E

The building inspector was specifically citing the attorney for violations. This happened in the attorney's specific environment.

PTS: 1                      DIF: Easy                      REF: 39-40                      TOP: AACSB Analytic  
KEY: Environmental Influence| Legal Responsibilities

50. \_\_\_\_ is the establishment of mutually beneficial, long-term exchanges between buyers and suppliers.
- Transactional partnering
  - Buyer-seller co-dependence
  - Relationship behavior
  - Cooperative transformation
  - Influential partnering

ANS: C                      PTS: 1                      DIF: Easy                      REF: 39  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

51. The designer of Tranquility Yoga Wear thought she had finally got the break she needed to make a success of her product when QVC announced that it wanted to carry the product. She had several 1,000 tops and pants manufactured. The hour-long QVC show sold \$250,000 less than predicted. The designer of the sportswear was told that she would no longer be a part of the QVC family, and she would have to look elsewhere to sell her returned inventory. In this case, the designer of Tranquility Yoga Wear experienced a high degree of:
- buyer dependence
  - supplier dependence
  - industry regulation
  - resource scarcity
  - retail complexity

ANS: A

Buyer dependence is the degree to which a supplier relies on a buyer because of the difficulty of finding other buyers.

PTS: 1                      DIF: Moderate                      REF: 39                      TOP: AACSB Analytic  
KEY: Environmental Influence

52. Regulators in the European Union have accused brewers of Inbev, Heineken, Grolsch, and Bavaria brand beers of collusion in the Netherlands. The brewers will have to pay 10 percent of their annual global sales if they are found guilty. This is an example of how the \_\_\_\_ environment affects industries.
- specific
  - sociocultural
  - competitor
  - demographic
  - general

ANS: A

Industry regulation is part of the specific environment. This ruling affects just those breweries in Europe.

PTS: 1                    DIF: Moderate            REF: 39-40            TOP: AACSB Analytic  
KEY: Environmental Influence| Legal Responsibilities

53. White Castle is a fast-food restaurant chain that is famous for its small, square hamburgers. Which of the following would be an industry regulation component of its specific environment?
- an increase in the prime lending rate
  - local health inspectors
  - class-action suits against all fast-food restaurants
  - inflation
  - all of these

ANS: B

Industry regulation is a component of the specific environment. The food inspector will directly examine conditions at the White Castle restaurant.

PTS: 1                    DIF: Moderate            REF: 39-40            TOP: AACSB Analytic  
KEY: Environmental Influence| Legal Responsibilities

54. An increase in \_\_\_\_ can lead to opportunistic behavior in which one party benefits at the expense of the other.
- managerial initiatives
  - buyer dependence
  - industry regulation
  - advocacy group activities
  - consumer confidence indicators

ANS: B                    PTS: 1                    DIF: Moderate            REF: 39  
TOP: AACSB Reflective Thinking            KEY: Environmental Influence

55. At one time it was very difficult for independent booksellers to carry all the books from the different publishers. Book ordering was time-consuming and frustrating when orders did not arrive in a timely fashion. Returning unsold books was an equally miserable experience. The creation of Ingram Distribution allowed the booksellers to streamline the ordering and return procedures. Ingram made all the books bookstore owners wanted to carry available in one centralized warehouse. Many new bookstore owners would be unwilling and/or unable to return to the method of ordering books from the individual publishers. This is an example of the creation of:
- buyer dependence
  - pure competition
  - transactional freedom
  - supplier dependence
  - resource scarcity

ANS: A

Buyer dependence is the degree to which a supplier relies on a buyer and the difficulty of finding other buyers.

PTS: 1                    DIF: Moderate            REF: 39                    TOP: AACSB Analytic  
KEY: Environmental Influence

56. Small manufacturers often are successful because Wal-Mart agrees to carry their products. If Wal-Mart does not like a price increase, it often will refuse to do business with the manufacturer. At this point, many small manufacturers will offer price reductions because they fear failure if they lose the Wal-Mart account. The relationship between these small manufacturers and Wal-Mart can be described as:
- buyer dependent
  - relationship based
  - transformational
  - supplier dependent
  - none of these

ANS: A

Buyer dependence is the degree to which a supplier relies on a buyer because of the difficulty of finding other buyers.

PTS: 1                    DIF: Moderate            REF: 39                    TOP: AACSB Analytic  
KEY: Environmental Influence

57. An emphasis on \_\_\_\_ is likely to decrease opportunistic behavior but will never completely eliminate it.
- buyer dependence
  - supplier dependence
  - industry regulation
  - relationship behavior
  - competitive advocacy

ANS: D                    PTS: 1                    DIF: Difficult            REF: 39  
TOP: AACSB Reflective Thinking            KEY: Environmental Influence

58. The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behavior. The Rainforest Alliance Certified Seal of Approval makes it easy for consumers to know they are buying a sustainably produced product. This nonprofit \_\_\_\_ has convinced McDonald's restaurants in Europe to use its certified coffee beans.
- advocacy group
  - industry regulatory agency
  - World Trade Organization
  - green marketer
  - humanist organization

ANS: A

Advocacy groups are typically composed of concerned citizens who have a strong feeling about a common issue.

PTS: 1                    DIF: Easy                    REF: 40-41                    TOP: AACSB Analytic  
KEY: Environmental Influence

59. An ad paid for by Franklin Mutual Insurance Company encourages people to be proud of their country and its military. The ad was not designed to sell any product of the company—rather it is designed to counter efforts by some to malign U.S. actions in the Middle East. This ad would be an example of:
- narrowcasting
  - institutional communications
  - media advocacy
  - a product boycott
  - lobbying

ANS: C

Media advocacy typically involves framing issues as public issues and opposing questionable, exploitative, or unethical practices.

PTS: 1                    DIF: Moderate                    REF: 40-41                    TOP: AACSB Analytic  
KEY: Environmental Influence

60. The National Rifle Association used a \_\_\_\_ approach to counter Democratic efforts to ban private gun ownership in 2004. It created an advertising campaign to convince people to vote against the Democrats and their platform.
- media boycott
  - narrowcasting
  - media advocacy
  - cause marketing
  - lobbying

ANS: C

Media advocacy typically involves framing issues as public issues and opposing questionable, exploitative, or unethical practices.

PTS: 1                    DIF: Moderate                    REF: 40-41                    TOP: AACSB Analytic  
KEY: Environmental Influence





66. \_\_\_\_ could reveal to Callaway Golf why the number of golfers in the United States is declining.
- A competitive assessment
  - Environmental scanning
  - Environmental advocacy
  - An internal situational analysis
  - A market audit

ANS: B

Environmental scanning is a search of the environment for important events or issues that might affect an organization.

PTS: 1                    DIF: Moderate                    REF: 41-42                    TOP: AACSB Reflective Thinking  
KEY: Environmental Influence| Strategy

67. Which of the following is one of the steps in the process that managers use to make sense of their changing environments?
- perceptual re-engagement
  - environmental laddering
  - acting on threats and opportunities
  - creating strategic windows
  - behavioristic relations

ANS: C                    PTS: 1                    DIF: Difficult                    REF: 42  
TOP: AACSB Reflective Thinking                    KEY: Environmental Influence| Strategy

68. Managers should NOT use environmental scanning to:
- reduce uncertainty
  - stay up-to-date on factors in their industry
  - develop and implement their organizational strategies
  - develop and sustain their organizational culture
  - improve organizational performance

ANS: D

It does contribute to organizational performance and organizational strategies.

PTS: 1                    DIF: Difficult                    REF: 41-42                    TOP: AACSB Analytic  
KEY: Environmental Influence| Group Dynamics| Strategy

69. Kodak makes both camera equipment and paper for printing pictures. Kodak would view the growing popularity of digital cameras as a(n) \_\_\_\_ in its external environment if it considered how digital cameras affect sales of cameras that use film. On the other hand, Kodak would view the growing popularity of digital cameras as a(n) \_\_\_\_ in its external environment if it considered the amount of Kodak processing paper used in printing pictures made by digital cameras.
- strength; weakness
  - risk; certainty
  - opportunity; threat
  - certainty; risk
  - threat; opportunity

ANS: E

The growing popularity of the digital camera could pose a threat to Kodak's profitability. The growing use of Kodak processing paper could aid the company's profitability.

PTS: 1                    DIF: Easy                    REF: 42                    TOP: AACSB Analytic

KEY: Environmental Influence| Strategy

70. The term \_\_\_\_ refers to the events and trends inside an organization that affect management, employees, and the organizational culture.
- managerial environment
  - internal environment
  - company environment
  - general environment
  - organizational structure

ANS: B                      PTS: 1                      DIF: Easy                      REF: 43  
TOP: AACSB Reflective Thinking                      KEY: Environmental Influence

71. The \_\_\_\_ is the set of key values, beliefs, and attitudes shared by organizational members.
- industry code of ethics
  - internal environment
  - organizational culture
  - organizational strategy
  - organizational vision

ANS: C                      PTS: 1                      DIF: Easy                      REF: 43  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics

72. According to the text, which of the following is NOT a component of the internal environment of an organization?
- management
  - employees
  - organizational culture
  - organizational strategy
  - customers

ANS: E                      PTS: 1                      DIF: Moderate                      REF: 43  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics

73. When Ivory started work at Henderson Textile Co., she was amazed at its employees who would take thirty-minute restroom breaks, leave for the day at 2 p.m., and generally belittle the company's management. Such employees' actions most likely developed as a result of a faulty:
- general environment
  - benchmark
  - response to an opportunity
  - organizational culture
  - formalization strategy

ANS: D

The organizational culture is the set of key values, beliefs, and attitudes shared by organizational members.

PTS: 1                      DIF: Moderate                      REF: 43-44                      TOP: AACSB Analytic  
KEY: Group Dynamics| Individual Dynamics

74. Many police agencies experience difficulties when trying to motivate officers to enthusiastically embrace a community policing philosophy. Agencies often start costly community policing programs only to find that few officers actually partake in the transformation while most continue to operate under traditional reactionary modes of law enforcement. This reluctance to change would reflect the \_\_\_\_ of the police departments.
- managerial environment
  - internal environment
  - company environment
  - general environment
  - organizational structure

ANS: B

The internal environment refers to the events and trends inside an organization that affect management, employees, and the organizational culture.

PTS: 1                    DIF: Moderate            REF: 43                    TOP: AACSB Analytic  
KEY: Group Dynamics

75. A McDonald's restaurant executive was asked if he thought McDonald's has suffered because of its slow adaptation to changing consumer tastes. He responded, "It's been such a successful business model that you're always bouncing between 'let's do it because it works' and 'if it's not broken, don't fix it.'" This dichotomy of how its management thinks about change would be part of McDonald's:
- internal environment
  - consumer environment
  - sociocultural environment
  - general environment
  - environmental differentiation

ANS: A

The internal environment consists of the trends and events within an organization that affect the management, employees, and organizational culture.

PTS: 1                    DIF: Moderate            REF: 43                    TOP: AACSB Analytic  
KEY: Environmental Influence| Strategy| Group Dynamics

76. When IBM acquired Lotus, a meeting was held between IBM senior vice president John Thompson and a group of Lotus senior managers. In preparing for the meeting, the Lotus crew had donned the conservative suits and ties they thought were expected in the traditionally buttoned-down IBM. They were shocked when Thompson showed up for the meeting in a T-shirt and jeans because he was trying to look like a Lotus employee. This anecdote illustrates:
- the importance of visionary thinking
  - extrinsic motivation
  - differing organizational cultures
  - changing sociocultural environments
  - how changes in the general environment can lead to uncertainty

ANS: C

This merger occurred in the specific environment. The suits and the jeans represent differing value systems.

PTS: 1                    DIF: Moderate            REF: 43-44                TOP: AACSB Analytic  
KEY: Group Dynamics

77. \_\_\_\_ is/are a primary source of organizational culture.

- a. The company's founder
- b. The organization's competitive strategy
- c. The industry in which the organization operates
- d. Employees
- e. Customers

ANS: A                      PTS: 1                      DIF: Moderate              REF: 43

TOP: AACSB Reflective Thinking              KEY: Group Dynamics

78. After an organization's founders are gone, the organization can use \_\_\_\_ to sustain its organizational culture.

- a. industry associations
- b. organizational heroes
- c. organizational structure
- d. organizational maps
- e. reciprocal formalization

ANS: B                      PTS: 1                      DIF: Easy                      REF: 43-44

TOP: AACSB Reflective Thinking              KEY: Group Dynamics

79. Which of the following is an example of a mechanism used to sustain organizational culture after an organization's founders are gone?

- a. recruiting practices
- b. employee turnover
- c. cultural myths
- d. organizational policies
- e. none of these

ANS: E

Organizational stories and organizational heroes help to sustain the culture.

PTS: 1                      DIF: Easy                      REF: 43-44                      TOP: AACSB Reflective Thinking

KEY: Group Dynamics

80. The Edmonton Oilers ice hockey team developed a sense of history for its current players by raising banners showing successful seasons (five Stanley Cups!) and the retired numbers of great players from the past in its stadium and locker room. What tactics for maintaining organizational culture are the Edmonton Oilers using?

- a. organizational complexity and consistency
- b. organizational benchmarking
- c. cultural laddering
- d. organizational stories and organizational heroes
- e. behavioral addition and behavioral substitution

ANS: D

Organizational stories help to make sense of organizational events and emphasize consistent actions and decisions. Organizational heroes are people celebrated for the quality of their achievement within the organization.

PTS: 1                      DIF: Easy                      REF: 43-44                      TOP: AACSB Analytic

KEY: Group Dynamics

81. When IBM acquired Lotus, a meeting was held between IBM senior vice president John Thompson and a group of Lotus senior managers. In preparing for the meeting, the Lotus crew had donned the conservative suits and ties they thought were expected in the traditionally buttoned-down IBM. They were shocked when Thompson showed up for the meeting in a T-shirt and jeans because he was trying to look like a Lotus employee. Now that Lotus and IBM are intertwined, this meeting is often described as a way to emphasize that both groups now have consistent values. This would be an example of a(n):
- corporate narrative
  - human resources anecdote
  - anecdotal evidence of success
  - organizational story
  - scenario

ANS: D

Organizational stories are told to make sense of organizational events and to emphasize how both sides now view them the same way--in this case, humorously.

PTS: 1                      DIF: Moderate              REF: 43-44              TOP: AACSB Analytic  
KEY: Group Dynamics

82. William McKnight became CEO of 3M in 1929. He did what no CEO had ever done before when he merged innovation and system building. He created a company that to this day treats innovation as a systematic, repeatable process. When deciding who is responsible for the success of 3M, its employees know it is McKnight. He is a(n):
- change-conqueror
  - organizational hero
  - change gatekeeper
  - idea champion
  - change ombudsman

ANS: B

McKnight is celebrated for his management abilities and the direction in which he steered the company.

PTS: 1                      DIF: Moderate              REF: 44                      TOP: AACSB Analytic  
KEY: Group Dynamics| Leadership Principles

83. When IBM acquired Lotus, a meeting was held between IBM senior vice president John Thompson and a group of Lotus senior managers. In preparing for the meeting, the Lotus crew had donned the conservative suits and ties they thought were expected in the traditionally buttoned-down IBM. They were shocked when Thompson showed up for the meeting in a T-shirt and jeans because he was trying to look like a Lotus employee. Both merging companies were trying to show their organizational culture had a high degree of:
- adaptability
  - employee involvement
  - consistency
  - reliability
  - autonomy

ANS: A

Adaptability is the ability to notice and respond to changes in the organization's environment.

PTS: 1                      DIF: Moderate              REF: 44                      TOP: AACSB Analytic  
KEY: Group Dynamics

84. Which of the following is a characteristic of successful organizational cultures?
- adaptability
  - consistency
  - involvement
  - a clear vision
  - all of these

ANS: E                      PTS: 1                      DIF: Easy                      REF: 44-45  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics

85. The purpose of the Maine Organic Farmers and Gardeners Association (MOFGA) is to promote the production of safe, high-quality food in a manner that does not harm the environment and that preserves or improves soil fertility, soil structure, and farm sustainability. This is the organization's:
- visible statement of purpose
  - point of competitive advantage
  - vision
  - organizational rationale
  - principle of existence

ANS: C  
A vision is a company's purpose or reason for existing.

PTS: 1                      DIF: Moderate                      REF: 44                      TOP: AACSB Analytic  
KEY: Group Dynamics| Leadership Principles

86. The purpose of the Maine Organic Farmers and Gardeners Association (MOFGA) is to promote the production of safe, high-quality food in a manner that does not harm the environment and that preserves or improves soil fertility, soil structure, and farm sustainability. This is the organization's vision, and it:
- guides the decisions and behaviors of the people who are members of the organization
  - is periodically changed in response to external environmental changes
  - responds well to behavioral addition and subtraction
  - creates a framework for industry-wide comparisons
  - allows it to compete internationally

ANS: A  
In organizations with a clear vision, the organization's strategic purpose and direction are apparent to everyone in the company.

PTS: 1                      DIF: Moderate                      REF: 44                      TOP: AACSB Analytic  
KEY: Group Dynamics| Leadership Principles

87. EDUN is a socially conscious clothing company launched in 2005 by Ali Hewson and Bono with New York clothing designer Rogan Gregory. The company's \_\_\_\_ is to help increase trade and create sustainable employment for developing areas of the world with an emphasis on Africa, while providing a business model for others to follow.
- visible statement of purpose
  - point of competitive advantage
  - vision
  - organizational rationale
  - principle of existence

ANS: C  
A vision is a company's purpose or reason for existing.

PTS: 1                    DIF: Easy                    REF: 44                    TOP: AACSB Analytic  
KEY: Strategy| Environmental Influence

88. Hooters' is a chain of more than 2,000 restaurants. Its employees cheerfully admit that the restaurants are "delightfully tacky, yet unrefined." The reason the company exists is apparent to all of its employees — its purpose is fun. The concept of making eating out consistently fun for men is an example of its:
- adaptability
  - responsiveness
  - involvement
  - consistency
  - vision

ANS: E

A vision is the company's purpose--its reason for existing.

PTS: 1                    DIF: Moderate                    REF: 44                    TOP: AACSB Analytic  
KEY: Group Dynamics| Leadership Principles

89. One of the difficulties encountered in recent mergers has been the inability of employees in the two existing organizational cultures to operate harmoniously. In other words, both merging organizational cultures lacked the \_\_\_\_ that would have increased the likelihood of the merger's success.
- responsiveness
  - adaptability
  - involvement
  - consistency
  - validity

ANS: B

Adaptability is the ability to notice and respond to changes in the organization's environment.

PTS: 1                    DIF: Moderate                    REF: 44                    TOP: AACSB Analytic  
KEY: Group Dynamics

90. According to a book by a Harvard Business School professor, some organizational cultures simply cannot meet the challenges posed by innovation and must respond to threats from new technologies by building outside ventures. Digital Equipment is described as having one of those organizational cultures that did not have \_\_\_\_\_. The company squandered the opportunities presented by the PC revolution even though it was well equipped to build cheap PCs.
- adaptability
  - synergy
  - a formula for success laddering
  - knowledge management
  - comprehension

ANS: A

Adaptability is the ability to notice and respond to changes in the organization's environment.

PTS: 1                    DIF: Difficult                    REF: 44                    TOP: AACSB Analytic  
KEY: Group Dynamics| Operations Management

91. Employees tend to feel a greater sense of ownership and responsibility in companies with organizational cultures characterized by:
- delegation
  - adaptability
  - employee involvement
  - consistency
  - managerial empathy

ANS: C                      PTS: 1                      DIF: Difficult                      REF: 44  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics

92. Which of the following statements about a company's vision is true?
- A company's vision refers to the company's purpose or reason for existing.
  - A company's vision can make the organization's strategic purpose and direction apparent to everyone.
  - A company's vision can help to guide decision making under conditions of environmental uncertainty.
  - Whether an organization has a company vision determines whether it will succeed.
  - All of these statements about a company's vision are true.

ANS: E                      PTS: 1                      DIF: Moderate                      REF: 44-45  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics| Leadership Principles

93. William McKnight became CEO of 3M in 1929. He did what no CEO had ever done before when he merged innovation and system building. He created a company that to this day treats innovation as a systematic, repeatable process. From this information, you know that 3M has a(n) \_\_\_\_ organizational culture.
- adaptable
  - reliable
  - consistent
  - autonomous
  - reciprocal

ANS: C  
3M actively defines itself as an innovative company.

PTS: 1                      DIF: Easy                      REF: 44-45                      TOP: AACSB Analytic  
KEY: Group Dynamics

94. One of the problems with many of the dot.com companies that failed was a lower and middle management adherence to innovation and an expectation that work would be fun while top management envisioned the company being profitable and eliminating of unnecessary expenses. These companies lacked \_\_\_\_ in their organizational cultures.
- empathy
  - formalization
  - consistency
  - broad spans of management
  - responsiveness

ANS: C  
Consistency occurs when a company actively defines and teaches organizational values, beliefs, and attitudes.

PTS: 1                      DIF: Difficult                      REF: 44-45                      TOP: AACSB Analytic



KEY: Operations Management| Creation of Value| Group Dynamics

95. David Cowell, an editor for Reuters News Service, admits that his attitude had created an uncomfortable work environment for his employees and led to a conflict-based organizational culture. As a result, Reuters had its employees from Cowell's office work together to build a new home for a family in need. The project forced the employees to work in an unfamiliar environment, and because no one person was more skilled than another at construction, they were able to gain a new respect for each other and find new ways of interacting. This is an example of:
- behavioral iteration
  - behavioral substitution
  - behavioral subtraction
  - organizational rationale
  - principle existence

ANS: B

Behavioral substitution is having managers and employees perform a new behavior in place of an old one.

PTS: 1                      DIF: Moderate              REF: 46                      TOP: AACSB Analytic  
KEY: Motivation Concepts| Group Dynamics

96. Organizations use behavioral addition, behavioral substitution, and \_\_\_\_ to change their organizational culture.
- media advocacy
  - visible artifacts
  - counseling
  - affective stores
  - incremental valences

ANS: B                      PTS: 1                      DIF: Easy                      REF: 46  
TOP: AACSB Reflective Thinking              KEY: Group Dynamics

97. \_\_\_\_ is the process of having managers and employees perform new behaviors that are central to and symbolic of the new organizational culture that a company wants to create.
- Relationship transformation
  - Behavioral substitution
  - Partnering
  - Attitudinal modification
  - Behavioral addition

ANS: E                      PTS: 1                      DIF: Moderate              REF: 46  
TOP: AACSB Reflective Thinking              KEY: Group Dynamics

98. When Time-Warner and AOL merged, they had two different organizational cultures. One of the actions taken to make the transition smoother was to abandon dress codes. This elimination of dress codes is an example of how \_\_\_\_ can be used to change organizational cultures.
- behavioral substitutes
  - behavioral additions
  - affective additions
  - visible artifacts
  - behavioral subtractions

ANS: D

Visible artifacts are visible signs of an organization's culture

PTS: 1                    DIF: Moderate            REF: 46                    TOP: AACSB Analytic  
KEY: Group Dynamics

99. When using \_\_\_\_ to change organizational culture, the key to success is to choose behaviors that are central to and symbolic of the "old" culture you're changing and the "new" culture you want to create.
- attitudinal motivation and conditioned learning
  - behavioral substitution and behavioral addition
  - conditioned and classical learning
  - negative and positive reinforcements
  - organizational stories and heroes

ANS: B

Behavioral addition is the process of having managers and employees perform a new behavior while behavioral substitution is having managers and employees perform a new behavior in place of an old one.

PTS: 1                    DIF: Difficult            REF: 46                    TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

100. Which of the following approaches will guarantee the successful change of an organizational culture?
- employee munificence
  - perceptual substitution
  - the recognition of new organizational heroes
  - new organizational stories
  - none of these

ANS: E

Organizational cultures are very difficult to change. Consequently, there is no guarantee that any one approach will change an organizational structure.

PTS: 1                    DIF: Moderate            REF: 45-47                TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

101. Managers can use behavioral addition and behavioral substitution to:
- create benchmarks
  - assess the threats and opportunities in the internal environment
  - develop new products
  - locate new markets for existing products
  - modify corporate culture

ANS: E

Behavioral addition is the process of having managers and employees perform a new behavior while behavioral substitution is having managers and employees perform a new behavior in place of an old one.

PTS: 1                    DIF: Moderate            REF: 46                    TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

102. In order to change an organizational culture, top management can persuade other managers and employees to perform a new behavior in place of an older one. This technique is called:
- behavioral iteration
  - behavioral substitution
  - behavioral subtraction
  - organizational acculturation
  - replacement behavior

ANS: B                      PTS: 1                      DIF: Easy                      REF: 46  
TOP: AACSB Reflective Thinking                      KEY: Group Dynamics

103. When Samsonite purchased American Tourister, one of the first things the new management did was to eliminate the gorilla (which had appeared in all American Tourister ads for years and which represented the quality construction of American Tourister luggage). For American Tourister employees, the gorilla had been a symbol of quality and commitment. The executive order to remove the gorilla posters from the walls of offices and factories was one of the means Samsonite used to change the organizational culture at American Tourister. The gorilla posters were an example of:
- visible artifacts
  - iconic representations
  - organizational metaphors
  - organizational allegories
  - imbued artifacts

ANS: A  
Visible artifacts are visible signs of an organization's culture.

PTS: 1                      DIF: Moderate                      REF: 46                      TOP: AACSB Analytic  
KEY: Group Dynamics

104. Which of the following would be an example of a visible artifact for an organization that is being merged with a large international firm?
- personal parking spaces for all salespeople
  - a private company dining room
  - traditional offices
  - end-of-year bonuses
  - all of these

ANS: E  
All of the items listed would be visible signs of the old culture.

PTS: 1                      DIF: Easy                      REF: 46                      TOP: AACSB Reflective Thinking  
KEY: Group Dynamics

105. Which of the following statements about corporate cultures is true?
- Corporate cultures are dynamic creations that respond positively to change.
  - Corporate culture are unaffected by changes in perks, office layouts, or work relationships.
  - Corporate cultures are very difficult to change.
  - Any manager who wants to modify a corporate culture must follow the cultural change plan, which begins with employee input and ends with behavioral addition and/or substitution.
  - Corporate culture change is significantly easier with behavioral addition than with behavioral subtraction.

ANS: C  
Corporate cultures are difficult to change. One potential way to change them is through visible artifacts, visible signs of the organization. There is no such thing as a corporate plan--each case is different. The term is behavioral substitution--not behavioral subtraction.

PTS: 1                      DIF: Difficult                      REF: 45-47                      TOP: AACSB Analytic  
KEY: Group Dynamics

106. Milsand Corp. used office cubicles for its employees. Each employee had a 6-foot-square office with walls that do not go all the way to the ceiling. Employees were not allowed to personalize their cubicles. If Milsand wanted to change its organizational culture, it could begin by:
- creating a new human resources department
  - hiring a cultural ombudsman
  - adhering to affirmative action regulations
  - allowing employees to personalize their cubicles
  - giving everyone raises

ANS: D

The decorating of cubicles would be an example of behavioral addition, one method for changing corporate culture.

PTS: 1                    DIF: Moderate            REF: 46                    TOP: AACSB Analytic  
KEY: Group Dynamics

107. Which of the following is a strategy recommended for changing organizational culture?
- allow employees to personalize their offices
  - use behavioral substitution and behavioral addition
  - select job applicants with appropriate values and beliefs
  - eliminate the company dress code
  - all of these

ANS: E                    PTS: 1                    DIF: Easy                    REF: 45-47  
TOP: AACSB Reflective Thinking            KEY: Group Dynamics

108. Refer to What Would You Do? With the invention of MP3 players, iPods, and Internet radio, Sirius XM needs to determine how it can adapt to changes in its \_\_\_\_ environment.
- technological
  - sociocultural
  - economic
  - political/legal
  - demographic

ANS: A

Technology consists of the knowledge, tools, and techniques used to transform input into output.

PTS: 1                    DIF: Moderate            REF: 29                    TOP: AACSB Technology  
KEY: Strategy| Information Technologies| Environmental Influence

109. Refer to What Would You Do? Which of the following activities would ensure that Sirius XM was aware of changes in its general environment?
- a SWOT analysis
  - environmental scanning
  - benchmarking
  - boundary spanning
  - correlation

ANS: B

Environmental scanning means searching the environment for important events or issues that might affect and organization.

PTS: 1                    DIF: Moderate            REF: 29                    TOP: AACSB Analytic  
KEY: Environmental Influence| Strategy

110. Refer to What Would You Do? When Sirius XM decided to reduce the costs for acquiring new consumers, the action didn't change the company's \_\_\_\_ environment because organizational strategy is not one of XM Radio's components.
- general
  - SWOT
  - internal
  - managerial
  - ethical

ANS: C

The internal environment consists of the events and trends inside an organization that affect management, employees, and organizational culture.

PTS: 1                    DIF: Moderate            REF: 29                    TOP: AACSB Analytic  
KEY: Environmental Influence| Strategy

111. Refer to What Would You Do? When XM Radio and Sirius Satellite Radio combined, organizational cultures could conceivably have called for \_\_\_\_ as the cultures merged into one.
- the total elimination of reliance on organizational stories and heroes
  - behavioral substitution and behavioral addition
  - conditioned and classical perception
  - the establishment of environmental certainty
  - the laddering of managerial hierarchy

ANS: B

Behavioral addition is the process of having managers and employees perform new behaviors that are central to and symbolic of the new organizational culture that a company wants to create. Behavioral substitution is the process of having managers and employees perform new behaviors central to the "new" organizational culture in place of behaviors that were central to the "old" organizational culture.

PTS: 1                    DIF: Moderate            REF: 29                    TOP: AACSB Analytic  
KEY: Environmental Influence| Group Dynamics| Strategy

## SHORT ANSWER

1. Briefly differentiate between the external and internal environments that companies face, and explain why these environments are important.

ANS:

The external and internal environments that companies face refer to two different sets of forces that affect those organizations. External environments are the forces and events outside a company that have the potential to influence or affect it. The internal environment, on the other hand, consists of the trends and events within an organization that affect the management, employees, and organizational culture. Thus, one set of forces exists outside of the organization, while the other set of forces exists within the organization. In order to be successful, companies must continually adapt to changes in both sets of forces.

PTS: 1                    DIF: Moderate            REF: 30| 43                TOP: AACSB Analytic  
KEY: Environmental Influence

2. Briefly define and explain the relationship between environmental change, complexity, uncertainty, and resource scarcity.

ANS:

There are three basic characteristics of changing external environments. These are (1) *environmental change* (the rate at which a company's general and specific environments change); (2) *environmental complexity* (the number of external factors in the environment that affect organizations); and (3) *resource scarcity* (the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources). Environmental change, complexity, and resources (i.e., munificence) affect environmental *uncertainty*, which is how well managers can understand or predict the external changes and trends affecting their businesses.

PTS: 1                      DIF: Difficult                      REF: 30-33                      TOP: AACSB Analytic  
KEY: Environmental Influence

3. Compare and contrast the general environment with the specific environment faced by a company.

ANS:

Both the general and specific environments faced by a company would be considered part of the external environment facing the firm, as opposed to part of the firm's internal environment. It is here that the similarity ends, however. The general environment consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations. Changes in any sector of the general environment eventually affect most organizations. By contrast, each organization has a specific environment that is unique to that firm's industry and directly affects the way it conducts day-to-day business. The specific environment includes customers, competitors, suppliers, industry regulation, and advocacy groups.

PTS: 1                      DIF: Moderate                      REF: 34-41                      TOP: AACSB Analytic  
KEY: Environmental Influence

4. Briefly identify the two predictors of future economic activity that are available to managers for decision making. Specify which one managers typically prefer.

ANS:

Two types of predictors of future economic activity are available for managerial use in decision making. These are *economic statistics* and *business confidence indices*. Unfortunately, the economic statistics that managers rely on are notoriously poor predictors of future economic activity. Because of this, managers often prefer to use business confidence indices, which are measures of how confident actual managers are about future business growth. Managers often prefer business confidence indices to economic statistics because they know that the level of confidence reported by real managers affects their business decisions. In other words, it's reasonable to expect managers to make decisions today that are in line with their expectations concerning the economy's future.

PTS: 1                      DIF: Easy                      REF: 34                      TOP: AACSB Analytic  
KEY: Environmental Influence

5. Identify and provide examples of the two important ways in which sociocultural changes and trends influence organizations.

ANS:

Sociocultural changes and trends influence organizations in two important ways. First, changing demographic characteristics, such as the number of people with particular skills, or the growth or decline in particular population segments (single or married; old or young; men or women; or Caucasians, Hispanics, African Americans, or Asian Americans etc.), affects how companies run their businesses. For example, because of changes in the percentage of working mothers, many more companies now offer child care as a benefit to attract and retain scarce, talented workers of both genders. Second, sociocultural changes in behavior, attitudes, and beliefs also affect the demand for a business's products and services. One consequence of the large number of working women is that companies such as Avon and Tupperware now get more of their sales from rush-hour and lunchtime "parties" in workplaces than from "parties" in people's living rooms.

PTS: 1                      DIF: Difficult                      REF: 35-36                      TOP: AACSB Analytic  
KEY: Environmental Influence

6. Identify the major concern facing businesses from the perspective of the political/legal component of the general environment. What is the most appropriate action businesses can take to manage their legal responsibilities?

ANS:

The political/legal component of the general environment includes the legislation, regulation, and court decisions that govern and regulate business behavior. Throughout the last decade, new legislation and regulation have placed additional responsibilities on companies. Unfortunately, many managers are unaware of these new responsibilities. The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

PTS: 1                      DIF: Easy                      REF: 36-37                      TOP: AACSB Analytic  
KEY: Environmental Influence| Legal Responsibilities

7. Briefly differentiate the two basic strategies used for monitoring customers.

ANS:

There are two basic strategies for monitoring customers: reactive and proactive. Reactive customer monitoring is identifying and addressing customer trends and problems after they occur, such as by listening closely to customer complaints. Proactive customer monitoring, on the other hand, entails trying to sense events, trends, and problems before they occur (or before customers complain).

PTS: 1                      DIF: Easy                      REF: 37-38                      TOP: AACSB Analytic  
KEY: Environmental Influence

8. Define advocacy groups. List the three approaches to influencing businesses that they are likely to use. Specify which one of these three is most likely to have an impact on company sales and profits.

ANS:

*Advocacy groups* are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses, and professions. Advocacy groups cannot force organizations to change their practices. However, they can use three techniques to try to influence companies: public communications, media advocacy, and product boycotts. Product boycotts are most likely to significantly reduce company sales and profits.

PTS: 1                    DIF: Moderate            REF: 40-41            TOP: AACSB Analytic  
KEY: Environmental Influence

9. List and briefly define the four characteristics of successful organizational cultures.

ANS:

The four characteristics of successful organizational cultures are (1) *adaptability*, which is the ability to notice and respond to changes in the organization's environment; (2) *involvement*, which refers to the promotion of employee participation in decision making, often through enhanced autonomy, accountability, and responsibility; (3) *a clear vision*, which refers to a company's vision, its purpose or reason for existing; and finally (4) *consistency*, which refers to a culture in which the company actively defines and teaches organizational values, beliefs, and attitudes.

PTS: 1                    DIF: Moderate            REF: 44-45            TOP: AACSB Analytic  
KEY: Group Dynamics

10. Characterize the level of difficulty of changing organizational culture. Identify three approaches that can be used to accomplish that goal.

ANS:

Changing organizational culture is a very difficult process. It requires patience, vigilance, and a focus on changing the parts of an organizational culture that managers can control: behavior and symbolic artifacts. Thus, three ways of changing organizational culture include *behavioral addition* (having managers and employees perform a new behavior), *behavioral substitution* (having managers and employees perform a new behavior in place of another behavior), and *changing visible artifacts* (where artifacts are the visible signs of an organization's culture, such as dress codes). Given the difficulty of changing corporate culture, there is no guarantee that these methods will be successful. However, they are some of the best tools that managers have for changing culture, because they send the clear message to managers and employees that "the accepted way of doing things" has changed.

PTS: 1                    DIF: Moderate            REF: 45-47            TOP: AACSB Analytic  
KEY: Group Dynamics

## ESSAY

1. Describe environmental change and its relationship to punctuated equilibrium theory.

ANS:

*Environmental change* is the rate at which a company's general and specific environments change. In *stable environments*, the rate of environmental change is slow. In *dynamic environments*, the rate of environmental change is fast. While it would seem that companies would be in either stable external environments *or* dynamic external environments, recent research suggests that companies often experience both stable and dynamic external environments. According to *punctuated equilibrium theory*, companies go through long, simple periods of stability (equilibrium), followed by short, complex periods of dynamic, fundamental change (revolutionary periods), finishing with a return to stability (new equilibrium).

PTS: 1                    DIF: Easy                    REF: 30-31            TOP: AACSB Analytic  
KEY: Environmental Influence



2. Identify and discuss the implications of changes in the political/legal component of the general environment facing organizations over the past decade. Give one example of a relevant recent change. What is the best way for companies to manage their legal responsibilities?

ANS:

The political/legal component of the general environment includes the legislation, regulation, and court decisions that govern and regulate business behavior. Throughout the last decade, new legislation and regulation have placed additional responsibilities on companies. Unfortunately, many managers are unaware of these new responsibilities. Examples cited in the text include the sexual harassment implications of the 1991 Civil Rights Act and the employee leave implications of the Family and Medical Leave Act, as well as potentially serious risks in the areas of product liability lawsuits and risks associated with the traditional managerial decisions of recruiting, hiring, and firing employees. In this last category, it is increasingly common for businesses and managers to be sued for wrongful termination, negligent hiring and supervision, defamation, invasion of privacy, emotional distress, fraud, and misrepresentation during employee recruitment. From a managerial perspective, the best medicine against legal risk is prevention. The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

PTS: 1                      DIF: Easy                      REF: 34-35                      TOP: AACSB Analytic  
KEY: Environmental Influence| Legal Responsibilities

3. Define advocacy groups. Explain the basic techniques that advocacy groups use to achieve their goals. Provide one example of the use of advocacy techniques.

ANS:

*Advocacy groups* are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses, and professions. The members of a group generally share the same point of view on a particular issue. For example, environmental advocacy groups might try to get manufacturers to reduce smokestack pollution emissions. Unlike the industry regulation component of the specific environment, advocacy groups cannot force organizations to change their practices. However, they can use a number of techniques to try to influence companies: public communications, media advocacy, and product boycotts. The *public communications* approach relies on voluntary participation by the news media and the advertising industry to get an advocacy group's message out. In contrast to the public communications approach, media advocacy is a much more aggressive form of advocacy. A *media advocacy* approach typically involves framing issues as public issues (i.e., affecting everyone); exposing questionable, exploitative, or unethical practices; and forcing media coverage by buying media time or creating controversy that is likely to receive extensive news coverage. A *product boycott* is a tactic in which an advocacy group actively tries to convince consumers to not purchase a company's product or service. Boycotts can significantly reduce company sales and profits. The text uses the PETA and Tobacco-Free Kids as examples. Students may have other equally good examples.

PTS: 1                      DIF: Difficult                      REF: 40-41                      TOP: AACSB Analytic  
KEY: Environmental Influence

4. Identify and explain the three-step process that managers use to make sense of changes in their external environments. Discuss the role of the Internet in enhancing this process, particularly as it relates to CEO behavior and overall company performance.

ANS:

Because external environments can be dynamic, confusing, and complex, managers use a three-step process to make sense of the changes in their external environments: (1) environmental scanning, (2) interpreting environmental factors, and (3) acting on threats and opportunities. *Environmental scanning* is searching the environment for important events or issues that might affect an organization. Managers scan their environments based on their organizational strategies, their need for up-to-date information, and their need to reduce uncertainty. After scanning, managers *determine what environmental events and issues mean to the organization*. Typically, managers view environmental events and issues as either threats or opportunities. *When managers identify environmental events as threats*, they take steps to protect the company from harm. *When managers identify environmental events as opportunities*, they formulate alternatives for taking advantage of them to improve company performance.

Environmental scanning is important because it contributes to organizational performance. Environmental scanning helps managers detect environmental changes and problems before they become organizational crises. Companies whose CEOs do more environmental scanning have higher profits. CEOs in better performing firms scan their firm's environments more frequently and scan more key factors in their environments in more depth and detail than do CEOs in poorer performing firms. The Internet has provided a new and much more powerful tool for executives and managers to use in environmental scanning. Traditionally, managers have used personal contacts and newspapers to track changes that affect their businesses. However, managers now use the Internet to collect information in a very timely manner that cannot be gleaned from any other source. In this way, it can provide a significant competitive advantage to the CEO willing to invest the effort.

PTS: 1                      DIF: Moderate                      REF: 41-42                      TOP: AACSB Analytic  
KEY: Environmental Influence| Strategy

5. List and describe the four characteristics of successful organizational cultures and explain what is meant by success in this context. Identify an organization that you are aware of that seems to have a successful organizational culture, and characterize that organization on each of these four dimensions. Can an organization still have a successful culture if it is weak on one of these dimensions?

ANS:

Preliminary research shows that organizational culture is related to organizational success. The four characteristics of successful organizational cultures are adaptability, involvement, a clear vision, and consistency. The research shows that cultures based on these four characteristics can help companies achieve higher sales growth, return on assets, profits, quality, and employee satisfaction. The specifics of these four characteristics are as follows: *Adaptability* is the ability to notice and respond to changes in the organization's environment. *Involvement* refers to the promotion of employee participation in decision making, often through enhanced autonomy, accountability, and responsibility. A *clear vision* refers to a company's vision, which is its purpose or reason for existing. Finally, *consistency* refers to a culture in which the company actively defines and teaches organizational values, beliefs, and attitudes.

Student examples may vary widely, but should systematically comment on each of the four dimensions. Since an organization could still be considered successful even if it is weak on one dimension, students should take this into account in their individual assessments.

PTS: 1                      DIF: Difficult                      REF: 45-46                      TOP: AACSB Analytic  
KEY: Group Dynamics